THE UNITED STATES AND THE MATERIAL ADVANCE IN RUSSIA, 1881-1906

BY

GEORGE SHERMAN QUEEN

B.Ed., Southern Illinois Normal University, 1931
A.M., University of Illinois, 1933

AN ABSTRACT OF A THESIS

SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF DOCTOR OF PHILOSOPHY IN
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In American historical literature on European-American relationships, many books have been written which deal with the Old World's cultural influence upon the New World; there are but few which deal with the cultural impact of the New World upon the Old. The European background of American history has been a field of endless research, and the contributions of the Puritan, the Huguenot, and the Conquistador to the American way of life have been diligently examined. But where, except in the political realm, are the books that treat of American influences at work in Europe? It would seem that too few attempts have been made to study even the tangible material contributions of the United States to the cultures of the various European countries.

This thesis is an attempt to describe some of the material contributions of the United States to the marked economic development of Russia which took place between 1881 and 1906. Against the background of this development, and of American contemporary opinion of the economic conditions in Russia, an examination is made of the nature and the extent of the American contributions in cotton and machinery, in engineering and capital. Some attention is given to the methods by which these contributions were made. However, little attention is paid to their influence upon the economic progress of Russia during the era, because the study is done from the American point of view and chiefly from American materials.

The archives of the State Department relating to Russia have been examined for their economic rather than for their political content. In particular, the diplomatic despatches, and the archives of the former American legation at St. Petersburg and of the former consulate at Moscow, yielded valuable

material bearing upon Russo-American economic relationships. The manuscript records of the McCormick Historical Association Library in Chicago contributed data concerning the operations of the McCormick Harvesting Machine Company in Russia between 1880 and 1906. Through the good offices of Dean C. M. Thompson of the College of Commerce at the University of Illinois, data of considerable value was procured from many of the American business houses which had trade relations with Russia during the period under study. The printed reports of the consular representatives of the United States, of England, of France, and of Germany, and American trade magazines, yielded additional information relative to American contributions to the Russian material advance of 1881-1906.

I. The Russian Material Advance, 1881-1906: A Survey

The assumption common among those who are not students of Russian history that Russia experienced no appreciable economic development prior to the era of the Five-Year Plans is untenable. Between the time of Peter the Great and that of the Soviets there occurred several periods of industrial growth. Of these periods, none was more marked than that between the ascension of Tsar Alexander III to the throne of Imperial Russia in 1881 and the autocracy-shaking Revolution of 1905-1906. In this period the Tsar and his advisers embarked upon a deliberate policy of industrialization. Three successive Ministers of Finance, Nicholas Bunge, 1881-1887, Ivan A. Vyshnegradsky, 1887-1892, and Sergius Y. Witte, 1892-1903, sought, each in his way, to make Russia economically sufficient unto herself. Tariffs which ascended steadily to the apogee of protection, excessive grain exports which endangered the welfare of the peasantry, extensive railroad building which stimulated the coal and iron industries, Government paternalism which was found on every hand—all this resulted in a several-fold increase of production in practically all industries within the Empire.

II. American Opinion of the Russian Advance

During the early years of the era of Russian advance, 1881-1906, American interest as reflected in the press was mainly concerned with the political affairs of Russia. Resentment against certain political forms and practices of Tsarism displaced the older sentiment of "traditional friendship" in American public opinion. Horrified by the Imperial Government's persecution of the Jews, many Americans condemned the Autocracy's suppression of civil liberty at home and its territorial aggressions abroad. The very contrast in political institutions kept Russia within the orbit of American interests.

In the late eighties, however, American interest in the mysterious land of the Tsars received a fresh stimulus, that of economic profit. American consuls, diplomats, travelers, and writers began to recognize the growth of Russian industry, and to scent the commercial opportunities arising from that growth. Thereafter the development of Russian industrialization, in its broad outlines, might be traced fairly accurately in American periodical literature. In such publications as the *Journal of Political Economy* and the *Yale Review*, Slavic professors, or professors of Slavic history in the United States, analyzed the Russian economic program; and such trade journals as the *American Exporter* hailed the sale of each lot of American machinery to Russia as an American triumph in the commercial struggle with England and Western Europe.

III. The Diplomatic Protection of American Interests in Russia

In gaining these triumphs of American economic enterprise in Russia, the role of the American diplomatic service was greater than the general public knew. The function of consuls as "lookouts on the watchtowers of international trade" was generally recognized; but that, in his everyday functions, the American diplomat also was largely concerned with the mundane matters of commerce, rather than with the wiles of a Machiavelli or the courtesies of a Kaunitz, was not generally known to the average American of 1900. Yet the archives of

the American legation at St. Petersburg for the period 1881-1906 clearly indicate the predominance of economic matters over political matters in the routine affairs of that diplomatic post. The major diplomatic problems arising between the United States and Russia during the quarter-century can be counted on the fingers of one hand. But the daily exigencies of trade gave rise to innumerable letters and Instructions received, to letters and Despatches sent, and to a frequent exchange of Notes between the legation and the Russian Ministry of Foreign Affairs. In these State Department archives may be traced the development of many of the principles which became standard in the policies of the Department of State with regard to the diplomatic protection and promotion of American economic interests abroad.

The records of the St. Petersburg legation indicate that the American Department of State was particularly insistent upon the principle of "equality of treatment" for American economic interests in Russia. The Instructions from the Department to the American diplomatic representatives in St. Petersburg frequently concerned the tender of "good offices" in behalf of Yankee firms. This form of diplomatic interposition was particularly effective in aiding the Equitable Assurance Society, of New York, to procure a charter to operate in Russia in the period 1887-1892, and in protecting the same company, together with its American rival, the New York Life, from expulsion from the Empire in the period, 1893-1894. In 1898, as a direct result of the influence of the American legation, the Pennsylvania and Maryland Steel Company received a contract from the Chinese Eastern Railway for more than eighty thousand tons of steel rails.

A second principle upon which the Department of State insisted in Russia was the right of all bearers of American passports to claim protection as American citizens, regardless of whether they were citizens by birth or by naturalization, and whether they were Aryans or Semites by race. This policy of the United States proved to be of great value in promoting American trade with Russia. When naturalized Russian-Americans returned to the land of their birth and engaged

in business enterprise, they generally sought to act as agents of American firms. Because of the language difficulty, their services were eagerly sought after by American exporters. Thus American trade was expanded, and American citizens so engaged in Russia were sure of an American diplomatic protection limited only by the proprieties of international comity.

IV. American Exports to Russia

In the early 1880's American interests in Russia were mainly commercial. In a one-sided commerce, American exports to Russia were generally from four to six times as great as the American imports from that country. Raw cotton made up the bulk of the American exports to the Empire, averaging about ninety per cent of the total of direct exports between 1881 and 1894. In these early years, American consuls doubted whether other American exports to Russia would ever become important. There existed, they believed, too many obstacles to trade between the two nations, such as the depression which lingered in Russia from 1881 to 1887, the poverty of the Russian peasantry, and the strangeness of American goods. After Russian industry began to revive in 1887, the American foreign service representatives became more hopeful with regard to the ultimate expansion of American trade in Russia. Other obstacles to that trade soon became evident, however. There was the similarity of exportable products, the lack of direct shipping between the two nations, and the indifference of American manufacturers to foreign markets in general. In Russia itself, Russo-American trade was handicapped by the prevailing system of long-term credits, by German competition, and by the almost prohibitive Russian tariffs.

Despite these obstacles to trade, the importation of American products into Russia began gradually to increase after 1895. Even the imports of American cotton, which were extremely important in Russian industrialization, continued to increase after that date, notwithstanding the success of cotton growing in Central Asia. As the domestic production of the staple increased, consumption in the Russian textile

mills increased even more rapidly, and American exports of cotton to Russia did not suffer. On the contrary, the amount of American cotton consumed in Russian mills expanded from less than five million poods of thirty-six pounds each in 1890 to nearly eight million poods in 1905. Yet cotton lost its predominance as the chief article of American exportation to Russia. From an average of more than ninety percent of the total of American direct exports to the Empire in the period prior to 1894, cotton shipments slumped to sixty-eight per cent of the total in 1895 and to an average of less than forty per cent of the total for the period 1896-1906. The new article of commerce which was becoming important in American exports to Russia was machinery of practically every type, and other manufactures of iron and steel. Owing largely to increased purchases of these manufactures, American direct exports to Russia mounted from less than seven million dollars in 1894 to ten and one-half millions in 1900. Because of the extensive transshipment of American gods through England and Germany, these figures may safely be doubled to determine the total amount of American exports which reached the Empire both directly and indirectly. Thus, both American cotton and American machinery were important in the economic growth of Russia between 1881 and 1906.

V. American Machinery in Russia

The contribution made by American harvesting machinery to Russia's economic progress was unique. After their earlier attempts to establish a market there had met with little success, the American "Reaper Kings" invaded the Russian grain lands in earnest in the late seventies. The McCormick Company records show that competition among the various manufacturers—McCormick, Deering, Osborne, Johnston, etc.—had much to do with the cultivation of the Russian market. The harvesting machine industry was one of the first industries in America to develop the technique of mass production, an American accomplishment which was to amaze and dismay the world at the turn of the century. McCormick and his com-

petitors felt that they needed foreign markets in order to employ to the full the productive capacity of their plants.

Unlike most other groups of American exporters, the American makers of agricultural machinery spent time, effort, and money to develop a market for their product in Russia. The McCormick Company in particular was systematic in its operations in Russia. In 1880 the Company established a general agent for all Russia at Odessa, a German-speaking Swiss-American named Freudenreich. The general agent divided Russia into about twenty sales territories, each under the most reliable agent obtainable. Under each agent were appointed several sub-agents. Freudenreich discovered that reliable agents were few, but these few he could generally secure by offering credit according to the custom of the country; that is, from six months, or cash at the end of the harvesting season, to as much as three years on unsold machines. The American harvester manufacturers also enjoyed success in Russia because they tried, to some extent, at least, to adapt their machines to Russian conditions and tastes.

Truly, the American Reaper Kings did not find the conquest of the Russian market a matter of "blitzhandel." In the eighties and early nineties, the volume of their sales was limited by many factors, such as the prejudices and the poverty of the Russian peasantry, the Russian tariffs, an active competition from German and English manufacturers, and competition from a product of the Russian industrial advance itself, the Russian hand-raking reaper. In the middle nineties, factors particularly favorable to the American manufacturers became operative. First, the wages of agricultural labor began to rise, and the landlords turned to machinery. Then, following the disastrous famine of 1891-1892 in the Volga Valley, both the Imperial Government and the local governments, or zemstvos, instituted measures intended to alleviate the condition of the Russian farming class. These measures included the establishment of government credit agencies through which the landlords, and peasants in village associations, could purchase agricultural machinery on liberal terms. Finally, in 1898 the Imperial Government again placed agricultural

tools and implements on the list of duty-free articles. In consequence of all these favorable factors, American direct exports of agricultural machinery, chiefly of harvesting machinery, in which both Germany and England acknowledged the American supremacy, rose from more than $285,000 in 1893 to over $500,000 in 1898, and to more than $3,860,000 in 1905. Moreover, by 1906 agricultural methods in Russia were showing some evidence of improvement. To this improvement American agricultural machinery contributed measurably.

In the nineties, the great decade of Russian railway building, the United States became a most important source of the railway supplies needed for the rapid completion of Witte's railway program. The Minister of Finance had hoped to stimulate the Russian iron industry to the point where it could supply all the materials necessary for the expansion of the country's transportation system. However, when the Russian metallurgical plants could scarcely fill even the orders of the Government railways, Witte permitted the private roads to place orders abroad for steel rails and for locomotives. And the cheapest market in the world for the manufactures of iron and steel was the United States. Furthermore, the American technique of mass production, well developed by the late nineties, made possible quick delivery on the largest orders. Often, promptness of delivery alone secured for American bidders contracts which might otherwise have gone to English or to German competitors. Under these favorable conditions, it was American manufacturers who reaped the harvest from the construction of Russia's Far Eastern railways. American construction machinery helped prepare the roadbeds of the Trans-Siberian and of the Chinese Eastern. American steel mills furnished a good portion of the rails over which ran either American Baldwin locomotives, or locomotives built in Russia according to Baldwin specifications and with American machine tools.

In addition to American agricultural machinery and American railway equipment, several other types of American machinery contributed to Russia's economic progress. Steamboats and dredges of American design, and sometimes of

American construction, were found on Russian rivers. Oilfield equipment was largely imported from the United States. American power pumps and business office equipment such as typewriters, adding machines, and cash registers became the standard for use in large establishments and were copied in manufacture in Russia. And, just as the name "McCormick" became synonymous with "harvester" in the grain fields of the blackearth regions, the name "Singer" became a household word for "sewing machine" in all Russia, even to the frozen reaches of Kamchatka.

VI. American Capital in Russia

The time came when some of this machinery was no longer American, except in design. Such manufactures as Singer Sewing Machines and Westinghouse Air Brakes were being produced in Russia before 1906. The factories which produced them were established largely with American capital, and generally upon the direct invitation of the Russian Ministry of Finance. These American factories in the Empire were significant of Russia's efforts to attain economic self-sufficiency. It was Witte's policy to invite firms representing those industries which Russia lacked, to establish branches of some kind in Russia. If a firm did not acept the invitation, the Minister had it in his power to make further trade with Russia more and more difficult. In the end, the firm might be very happy to export the capital which was required to establish plants inside the tariff walls of the Empire. Prior to 1895 the foreign capital thus introduced into Russia was largely French or Belgian. Up to that time, American capital was rarely found in the land of the Tsars.

Yet American capital had been ready and willing to enter Russia in 1881. The records of the American legation at St. Petersburg indicate that only the difficulty of obtaining concessions from the Tsarist Government, in the day of Slavophil opposition to foreigners, prevented an early migration of American capital to Imperial Russia. This difficulty is well illustrated in the papers of Wharton Barker, the Philadelphia

banker who attempted to secure concessions in 1879-1880 to develop Russian coal fields, and in 1892 to build sections of the Trans-Siberian railway. All his efforts were frustrated by the Russian bureaucracy's peculiar brand of red tape. With regard to the character of the concessions sought by other Americans in Russia, the legation archives reveal an interest in telephone franchises, in the erection of grain elevators, in pipe lines, cottonseed mills, irrigation projects, life insurance, and railway building. So far as can be determined from the available data, concessions for one telephone franchise and for two life insurance charters were gained prior to 1895. All other applications were refused. In the period 1900-1906, also, numerous American moves for investment in Russian enterprises were frustrated. In the period between 1895 and 1901, however, some of the American capital which attempted to enter Russia was more successful.

The capital which was sucessful in gaining entry into the Empire was of two types, portfolio capital and direct investment capital. The holding of Russian stocks and bonds was confined almost entirely to two loans which the Russian Government offered in New York at the end of the century, and to the investments in Russia of the two American life insurance companies which were operating in that country. These portfolio holdings amounted in 1906 to approximately thirty-five million dollars. They consisted largely of the bonds of the State railways or of private roads, generally guaranteed in either case as to principal and interest by the Imperial Government. This foreign portfolio capital was largely expended by the Imperial Government in the construction of State railways, the bonds of which, backed as they were by productive enterprise, were utilized to attract additional foreign capital to Russia.

The simplest form of American direct investment in Russia was that of commercial enterprise. Some exporting firms established branch houses in Russia, but generally American exporters, when they did not operate through German commission houses, operated through agents. As has been indicated above, naturalized Americans of Russian descent were

often in business in Russia and acted as agents of American concerns. Of the independent commercial enterprises established by Americans in Russia, that of Ropes and Company in St. Petersburg was the best known. The company, founded in the 1830's by William H. Ropes of Boston, was forced by the Russian tariffs to close its doors in the middle eighties. Another American merchant, Enoch Emery of Massachusetts, made unique contributions to the economic development of Siberia.

In Russian mining, American capital was never heavily interested. Dr. H. W. C. Tweedle of Pennsylvania, said to be connected with Standard Oil, pioneered unsuccessfully in the Caucasus oil fields. But to the end of the period 1881-1906, American capital failed to gain a permanent foothold in the Russian oil industry. Indeed, American influence upon the Russian petroleum industry was mainly through engineering methods and competition rather than through exploitation. Perhaps five million dollars of American capital was invested in copper mining projects in Russia prior to 1906.

American capital played its chief role in Russia in the establishment of factories of various kinds. Significantly, the migration of American industry to Russia was the reflection of a trend in America's own industrial development. Certain American industries, notably machine-making industries, were reaching maturity in the 1890's, and were seeking more efficient means of penetrating foreign markets. The migration of industrial capital, rather than the exportation of manufactured products, seemed, in the late nineties, to be the solution to the problem.

American manufactories in Russia were of four types. There were a few examples of personal ownership, unconnected with corporations or capital sources in the United States. The oil-refining establishment of the Ropes family in St. Petersburg was a good example of this type. A second form taken by American industry which migrated to Russia was that of minority interest. Four American factories of this type were established in the Empire between 1895 and 1900. They were plants for the manufacture of locomotives, iron

pipe, telephone apparatus, and machine tools. A third form of American industrial migration was that of factories established in Russia to execute the terms of a specific contract. The Westinghouse Company and the New York Air Brake Company erected plants in Russia under conditions of contract. The fourth type of American manufactory in Russia was represented by the branch factory of the Singer Manufacturing Company, erected at Podolsk near Moscow in 1901.

The number of important American enterprises and portfolio investments found in Russia during the period 1881-1906 reached the total of thirty-five, with the American capital involved totaling approximately fifty-five million dollars in 1906. The list that has been compiled in this study is much more complete than any other available even in Russian studies. It shows that considerable American capital contributed to the Russian material advance. But doubtless the contributions made by American manufacturing techniques and American engineering experts, both of which were essential in the process of industrial migration to Russia, were quite as important as the contributions of American capital itself to Russian progress.

In conclusion, this study shows that American contributions in the form of machinery, capital, and engineering skill were important in the Russian material advance, 1881-1906; and that the forms taken by these contributions to Russia's economic development clearly reflected the economic growth of the United States. Studies similar to the one here outlined, of the extent of American contributions to the economic development of the countries of Western Europe, might well be pursued with profit. The materials would be far more adequate, and far more accessible.

VITA

The writer of this thesis, George Sherman Queen, was born in Tamaroa, Illinois, January 9, 1905. He received his elementary education in the rural schools of Perry County. After being graduated from DuQuoin Township High School in May, 1924, he began teaching in the rural schools of his home county in the following September. He enrolled at the Southern Illinois Normal University at Carbondale in April, 1926. Then followed six years of winters spent in teaching in rural and village schools and summers spent in attendance at Carbondale. Receiving the degree of Bachelor of Education in August, 1931, the writer matriculated at the University of Illinois in June, 1932, and received the degree of Master of Arts in History in the June following. In 1936 he was engaged as a teacher of American History and civics in the West Frankfort Community High School. During the two years, 1938-1940, the writer served as Head of the Department of Social Studies in the above high school. And during the past year he has been on leave of absence from that position.